

Michigan Credit Union League & Affiliates Industry Overview & 2017 Outlook

House Financial Services Committee

February 15, 2017



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A *National Journal* survey of policymakers found the CUNA/League system **ranked first** among all financial services trade associations studied in terms of advocacy effectiveness.

CUNA / League System

Removing
Barriers

Promoting the
CU Difference

Providing Solutions
for Service Excellence

Delivering Comp.
Compliance Solutions

What is a Credit Union?

MCL 490.102(p)

“Domestic credit union” means a cooperative, nonprofit entity organized under this act for the purposes of encouraging thrift among its members, providing a variety of financial services to its members, and providing an opportunity for its members to use and control their own money on democratic basis in order to improve their economic and social condition.

Not for Profit, Not for Charity, but for Service

- Credit unions are not-for-profit financial service organizations that exist to serve our members. We focus on communities and people, not corporate profit.
- We accept deposits, make loans and provide a wide array of financial services. However, as member-owned institutions, credit unions focus on providing lower rates, fewer fees and high levels of member service.


The Credit Union Difference - 2016



\$1.2 million benefit to Michigan credit union members
through fewer or lower fees



\$175 average savings per household



In the *Consumer Reports* Bank & Credit Union Buying Guide, a survey of 49,000 subscribers reported they were, "more satisfied with the services they received from credit unions, especially when it came to customer service and fees."

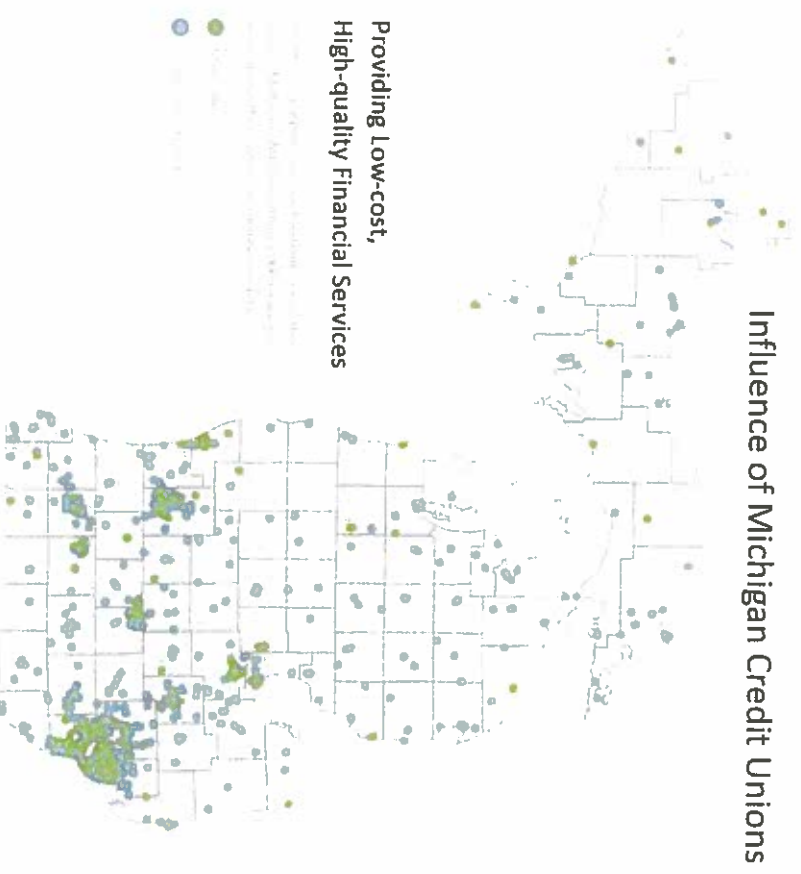


Credit Unions Provide Low-Cost, High-Quality Financial Services

Just like our purpose, our reach extends across the state. With 992 branches in small towns and large cities, we're always there when our members need us.

Michigan CU Data

- **246 Credit Unions**
- **5,019,000 Members**
- **\$55,526,000,000 Total Assets**
- **1056 Branches**
- **919 ATMs (30,000 nationwide fee free ATMs in Co-Op Network)**



Credit Unions – Your Financial Partner for Life

From buying a car to saving for college, to getting married or buying a home, Michigan residents trust that credit unions will offer high-quality services at lower costs than competitors.



Promoting the CU Difference – Investing in Our Communities

Michigan Credit Union Foundation



- **\$120,000** provided to credit unions
- **24 Grants** Awarded
- **32 Financial Reality Fairs** prepared **2,600** teens for financial independence
- **59 Scholarships** Awarded

Industry Leaders in Financial Education

- For Michigan credit unions, financial education is a core mission. Credit unions exist to help people get the most from their money, and it all starts with helping them learn how to make wise financial decisions.
- It's never too soon to learn about responsible financial decision making, and we've created a whole host of turnkey resources and programs designed to connect with students of any age.

55,000

STUDENTS
STATEWIDE

2,284

IN-SCHOOL
PRESENTATIONS

Continued Commitment to Youth

With the help of the Michigan Credit Union Foundation, credit unions have impacted more than 55,000 students statewide, through a series of 2,284 in-school presentations.

Financial Reality Fairs

2,644

STUDENTS

In 2015, more than 30 teen-focused Financial Reality Fairs were held across Michigan, reaching 2,644 students. Through interactive, community-based learning exercises, teens learned about income and expenditure, budgeting, credit and savvy financial decision making. These fun, fast-paced activities make a lasting impact and expand real-world financial understanding.

In-school Branches

300

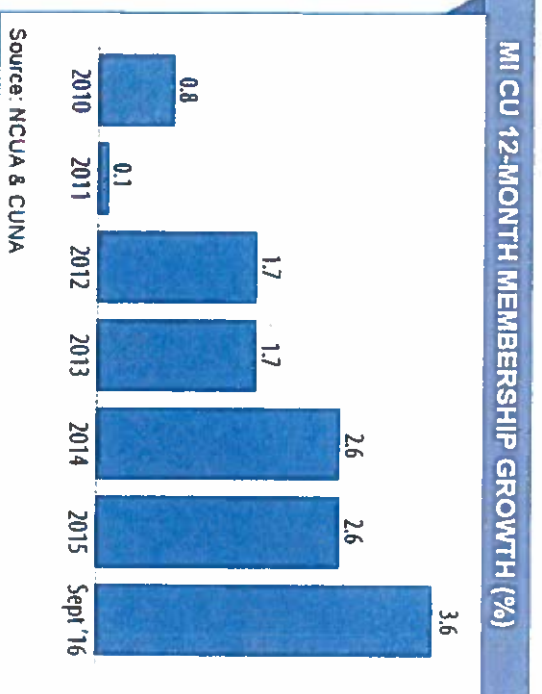
IN-SCHOOL CREDIT UNION BRANCHES

Elementary through high school, more than 300 in-school credit union branches have been established throughout Michigan. Not only do these cooperatives provide basic deposit and withdrawal services for students, they teach money management skills, good savings habits, goal setting and more.

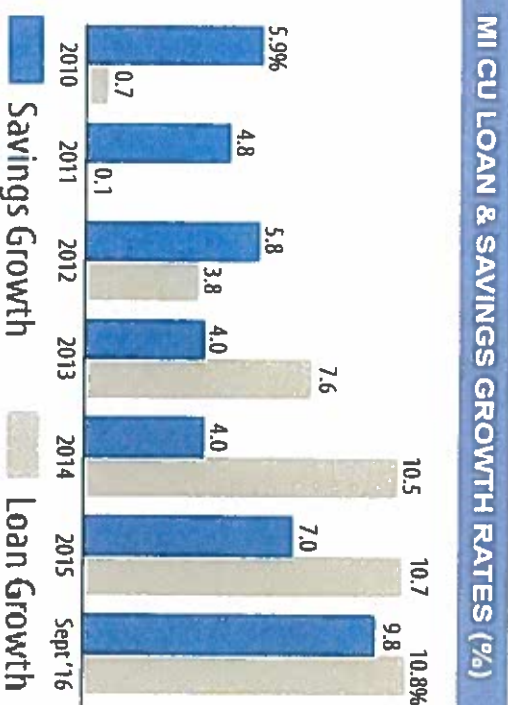


Michigan CU Industry – Current Landscape

- Michigan credit union membership *increased* by 3.6% over the last year
- Now nearly 5 million Michigan CU members



- Total assets: 9.4%
- Total increase in loans: 10.8%
- Total increase in savings: 9.8%



CU Member Business Lending

Serving the Financial Needs of Small Business Members

- Even though credit unions have an arbitrary cap (federal) on the amount of member business loans they can provide, they continue to create jobs by providing capital to local businesses and communities.
- Through Q3 2016, Michigan credit union business loans **grew by 23.5%** year over year.
- This directly correlates with a decrease in Michigan's unemployment rate, which reached 4.5% during the second quarter (a post-recession low).

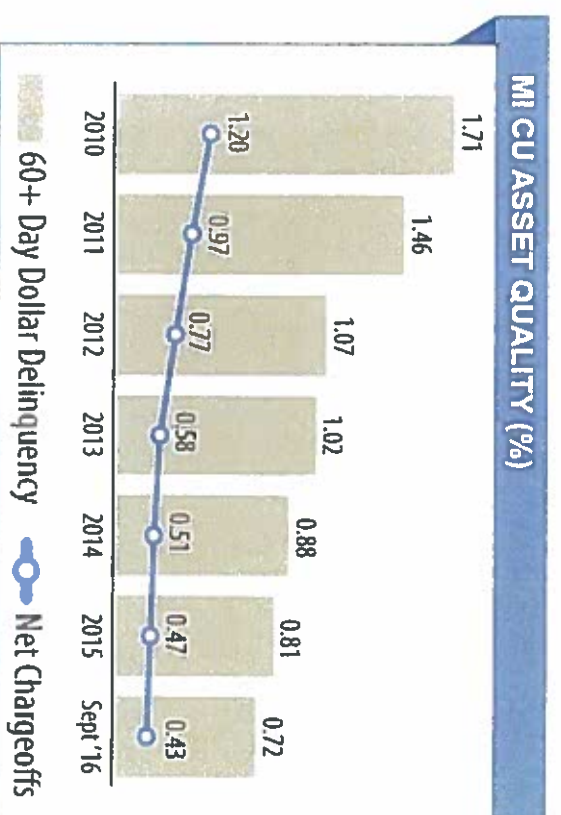
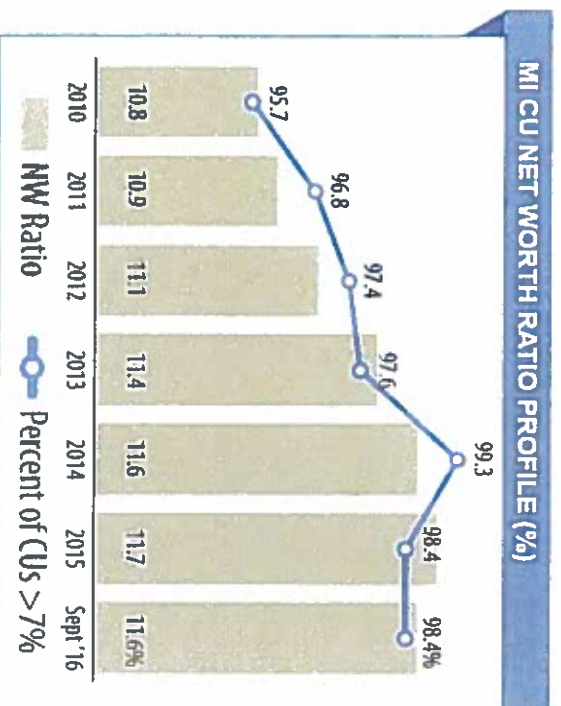


Current Net Worth & Asset Quality

- Net Worth Ratio: 11.6
- Growth rates: Loans: 10.8% & Savings: 9.8%

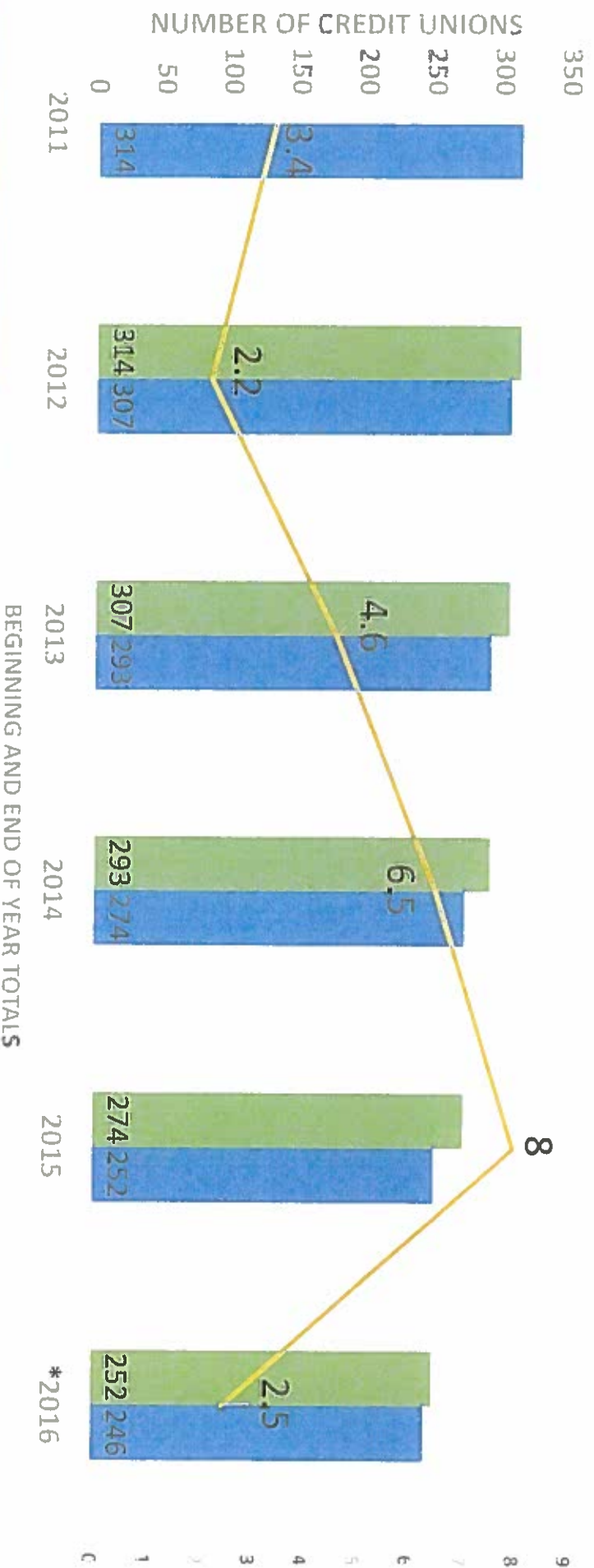
- Asset Quality: 0.77
- Asset Quality by Asset Size:

<\$20M:	1.20
\$20-\$50:	1.30
\$50-\$100:	0.96
\$100-\$250:	0.82
\$250-\$500:	0.87
\$500-\$1B:	0.85
>\$1B:	0.52



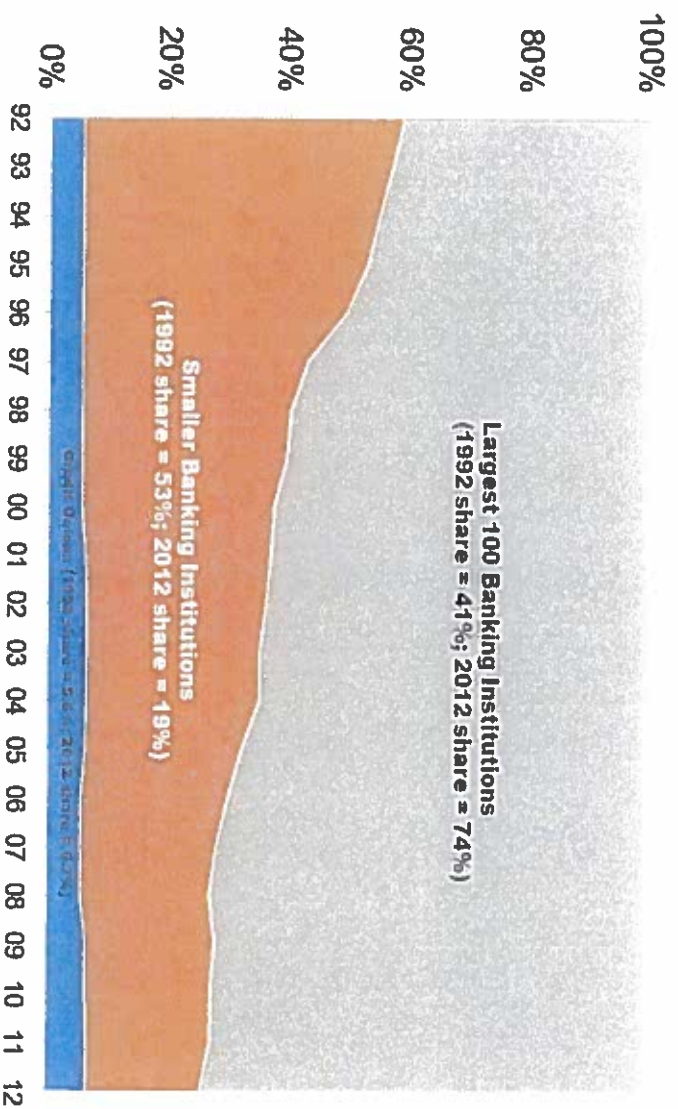
Industry Consolidation

- 252 (Jan '16) to 246 (Dec '16) = 2.5% rate of consolidation (as of Q3 2016)



Jan Dec % of Change

Largest Banks Outpacing Growth of Community Lenders



Sources: FDIC, NCUA, CUNA E&S. "Banking Institutions" include commercial banks and savings & loans. "Smaller Banking Institutions" are defined as all banking institutions smaller than the Largest 100.

Market Share – Michigan Depositories



Banks control 81% of total Michigan deposits

Out of state banks control 61% of deposits(an increase of 58% over the last two decades)

- **Largest 25 US banks**
- **Michigan credit unions**
- **Smaller Michigan banks**

Source: Census, NCUA, FDIC, Information Research
Services Inc. and CUNA's Economics and Statistics Department

Federal Legislative Priorities

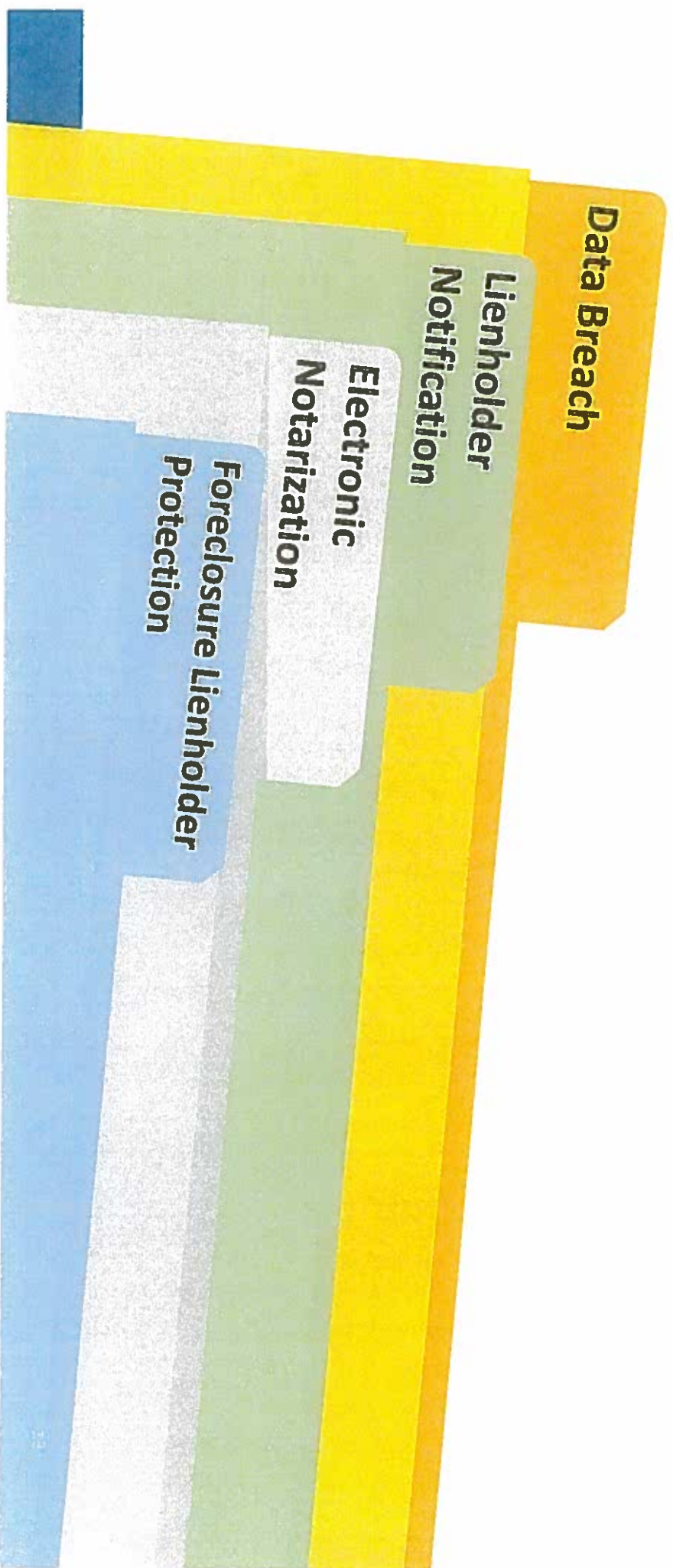
Regulatory Relief

Data Security

FCUA Modernization

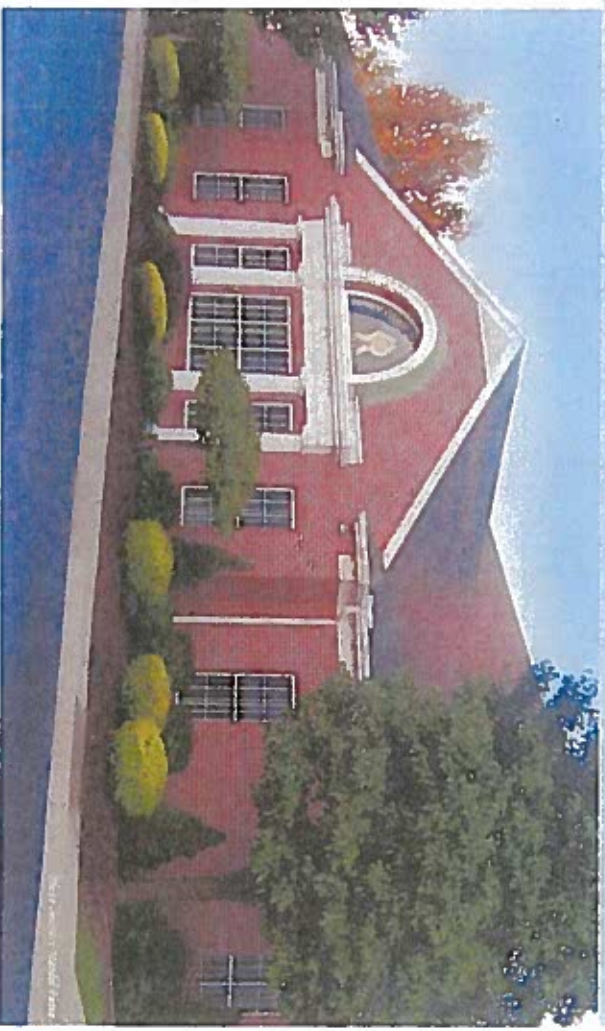
Tax Reform

State Legislative Priorities



Monroe County Community Credit Union

- 29,000 Members
- 5 Branch Locations
- 80 Staff Members
- \$190 million in assets
- \$110 million in loans



MCCCU – Invested in the Communities We Serve

Through donations and volunteer time, MCCCU proudly supports 19 local charitable and community organizations every year. These include Habitat for Humanity, United Way, the Community Foundation of Monroe, Ida Civic Club, March of Dimes, Red Cross, Relay for Life, the Salvation Army among many others!



MCCCU - Current Lending Environment

- While overall lending trends are positive as the economy continues to get stronger, Credit Unions are faced with several challenges
 - Increased competition – other lenders are back in the market
 - Increased regulatory oversight – CU indirect auto lending programs
 - Increased costs of offering debit and credit card programs - data breach and fraud
 - Increased mortgage lending regulations – new underwriting and servicing requirements are slowing down the process and removing the ability for financial institutions to make individual lending decisions



Need for Common Sense Regulation

- Since Dodd-Frank, the financial impact to our credit union is difficult to measure.
- Due to numerous new regulations and constant updates and amendments to current regulations, MCCCUC has spent thousands of dollars just keeping our forms updated.
- Prior to Dodd-Frank being enacted, MCCCUC had two regulatory exams/audits. We now we have eight:

State of Michigan (DIFS)	General 3 rd Party Audit
IT Audit	BSA Audit (Bank Secrecy Act)
SAFE ACT Audit	Website Audit
ACH Audit	Vendor Management Audit



Questions?

